



Baton Rouge, Louisiana

FINANCIAL REPORT

December 31, 2013

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Release Date SEP 17 2014



Baton Rouge, Louisiana

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INDEPENDENT AUDITOR'S REPORT

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Board of Directors
HOPE Ministries of Baton Rouge
Baton Rouge, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of HOPE Ministries of Baton Rouge (a nonprofit organization) (HOPE Ministries), which comprise the statement of financial position as of December 31, 2013, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Member

American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HOPE Ministries as of December 31, 2013, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 29, 2014, on my consideration of HOPE Ministries' internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HOPE Ministries' internal control over financial reporting and compliance.



John L. McKowen, CPA

Baton Rouge, Louisiana
May 29, 2014

HOPE Ministries of Baton Rouge
Baton Rouge, Louisiana

Statement of Financial Position

December 31, 2013
(with comparative amounts for 2012)

ASSETS

CURRENT	2013	2012
Cash	\$ 45,270	\$ 20,568
Accounts receivable	83,056	54,674
Inventory	8,466	8,000
Prepaid expenses	19,154	9,968
Total current assets	155,946	93,246
INVESTMENTS, net	91,071	187,461
PROPERTY, net	865,722	328,448
Total assets	<u>\$1,112,739</u>	<u>\$ 609,155</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	2013	2012
Accounts payable and accrued liabilities	\$ 32,362	\$ 11,980
Loan advance	-	25,000
LONG TERM LIABILITIES		
Notes payable	153,500	75,056
Total liabilities	185,862	112,036
NET ASSETS		
Unrestricted	180,213	188,087
Temporarily restricted	604,664	167,032
Permanently restricted	142,000	142,000
Total net assets	926,877	497,119
Total liabilities and net assets	<u>\$1,112,739</u>	<u>\$ 609,155</u>

HOPE Ministries of Baton Rouge

Baton Rouge, Louisiana

STATEMENT OF ACTIVITIESFor the year ended December 31, 2013
(with comparative amounts for 2012)

	2013				2012
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
PUBLIC SUPPORT AND REVENUE					
Grants	118,998	136,000	-	254,998	\$ 341,742
Contributions:					
Community	66,051	-	-	66,051	59,397
Individual	127,115	-	-	127,115	138,667
Other:					
In-kind	475,771	-	-	475,771	583,971
Social enterprise	13,812	-	-	13,812	8,496
Investment	2,609	-	-	2,609	2,920
Rental and other	62,107	-	-	62,107	60,752
	866,463	136,000	-	1,002,463	1,195,945
Net assets released from restrictions	123,282	(123,282)	-	-	-
Total public support and revenue	989,745	12,718	-	1,002,463	1,195,945
EXPENSES					
Program services	890,876	-	-	890,876	1,032,630
Fundraising	10,171	-	-	10,171	26,538
Management and general	96,572	-	-	96,572	74,448
Total expenses	997,619	-	-	997,619	1,133,616

Income (loss) before unusual item	(7,874)	12,718	-	4,844	62,329
UNUSUAL GAIN/LOSS	-	424,914	-	424,914	(75,255)
Increase (decrease) in net assets	(7,874)	437,432	-	429,758	(12,926)
NET ASSETS					
Beginning of year	188,087	167,032	142,000	497,119	510,045
End of year	180,213	604,664	142,000	926,877	\$ 497,119

HOPE Ministries of Baton Rouge
Baton Rouge, Louisiana

STATEMENT OF CASH FLOWS

For the year ended December 31, 2013
(with comparative amounts for 2012)

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 429,758	\$ (12,925)
Adjustments for non-cash items:		
Depreciation	12,576	6,844
Unrealized loss (gain) on investments	-	(1,203)
Change in operating assets and liabilities		
Receivables and other assets	(38,017)	43,321
Accounts payable and other liabilities	(4,618)	23,785
Net cash provided by operating activities	<u>399,699</u>	<u>59,822</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(10,589)	(1,134)
Additions to buildings	(539,261)	(110,180)
(Purchase) sale of investments	<u>96,391</u>	<u>(161,718)</u>
Net cash used for investing activities	<u>(453,459)</u>	<u>(197,777)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan from East Baton Rouge City-Parish	<u>78,444</u>	<u>75,056</u>
Net cash provided by capital and related financing activities	<u>78,444</u>	<u>75,056</u>
Net increase (decrease) in cash	24,684	(62,899)
CASH		
Beginning of year	<u>20,586</u>	<u>83,485</u>
End of year	<u>\$ 45,270</u>	<u>\$ 20,586</u>

HOPE Ministries of Baton Rouge
Baton Rouge, Louisiana
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

HOPE Ministries of Baton Rouge (HOPE Ministries) is a church affiliated nonprofit organization working with transitionally homeless families, and impoverished individuals in south Louisiana to help them become self-sufficient, enhance work and education possibilities, and become equipped to make sound decisions and solve problems. HOPE Ministries funds its mission through contributions and grants from various organizations and individuals in south Louisiana.

Basis of presentation

HOPE Ministries prepares its financial statements on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements.

HOPE Ministries reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The statement of activities presents expenses of HOPE Ministries functionally by program services, fundraising, and management and general.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with HOPE Ministries' financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those

estimates. Estimates are used primarily when accounting for the allowance for doubtful accounts, depreciation, prepaid assets, accrued liabilities and in-kind revenues.

Income tax status

HOPE Ministries qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code; therefore, the financial statements have no provision for federal and state income tax.

HOPE Ministries follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management has determined that there is no impact to the financial statements as a result of ASC 740-10. HOPE Ministries' open audit periods are 2010 through 2013.

Net assets

Unrestricted net assets represent resources over which the Board of Directors has discretionary control and are used to fund operations of HOPE Ministries in accordance with its bylaws.

Temporarily restricted net assets are contributions and grants restricted for various purposes. During 2013, contributions of \$123,282 were transferred to unrestricted net assets as restrictions were satisfied.

Permanently restricted net assets are comprised of land that was donated to HOPE Ministries by the Louisiana Annual Conference of the United Methodist Church. The property cannot be sold and is to revert to the Louisiana Annual Conference of the United Methodist Church if HOPE Ministries ceases to exist.

Cash and cash equivalents

HOPE Ministries considers all highly liquid investments, money market funds and certificates of deposit with a maturity of three months or less at the date of acquisition to be cash equivalents. There were no cash equivalents at December 31, 2013.

Investments

Investments have been recorded at market value, with the amount of unrealized gain or loss recorded in the statement of activities. The investments are pooled funds maintained by the United Methodist Foundation of Louisiana (UMFL) in a bond fund that is invested in a diversified portfolio of domestic and international bonds.

FASB ASC 810, *Fair Value Measurements*, establishes a framework for measuring fair value through a hierarchy that prioritizes the sources of pricing information (inputs) to valuation techniques used for measurement. The highest priority is given to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under ASC 810 are described as follows:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that HOPE Ministries has the ability to access.

Level 2– Inputs including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs that are unobservable and significant to the fair value measurement.

Investments in debt and equity securities with readily determinable fair values are recorded at fair value using level 1 inputs. Unrealized gains and losses are recorded in current year operations as increases or decreases in net assets. Dividend, interest, and other investment income are recorded as an increase in net assets.

Accounts receivable

Accounts receivable are recorded at cost, net of an allowance for doubtful accounts. Management believes all accounts are collectible; therefore, an allowance has not been recorded at December 31, 2013. HOPE Ministries does not require collateral for its receivables, and there were \$83,056 in receivables less than 90 days past due at December 31, 2013.

Inventory

Inventory is valued at cost using the first in, first out method and consists primarily of food held by the Food Pantry program. The cost is recorded as an expense as inventory items are consumed.

Property and depreciation

Property is stated at cost, or fair market value if donated, and depreciated over the estimated useful lives using the straight-line method for values in excess of \$500. Maintenance and repairs expenditures are expensed as incurred.

Vacation and sick leave

Vacation leave is earned at varying rates for four to five weeks per year depending on the length of service. A maximum of 26 days of unused vacation leave may be carried over at December 31. Vacation leave at December 31, 2013, was \$11,062, and is included in accrued liabilities.

Fair value of financial instruments

The carrying value of receivables, prepaid insurance, accounts payable and accrued liabilities approximates fair value due to the short-term maturity of these instruments. None of these financial instruments are held for trading purposes.

Grant revenue

HOPE Ministries receives grants to support its activities as well as grants restricted for specific purposes. Restricted grants that have not been fully expended at year-end are classified as temporarily restricted net assets.

Concentrations of credit risk

Financial instruments which subject HOPE Ministries to concentrations of credit risk consist primarily of investments in money market funds and mutual funds. HOPE Ministries typically maintains cash and temporary investments in local banks that may, at times, exceed the FDIC limits; however, management believes the risk is limited.

In-kind contributions

The value of contributed goods and services has been recognized at the fair market value of the benefit received. HOPE Ministries received \$475,771 as in-kind contributions during 2013, which included \$349,266 in contributed food and \$126,505 in contributed services.

Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing these skills, and would typically be purchased if not provided by donation.

Advertising

Advertising costs are expensed as incurred. Advertising expenses during 2013 were \$1,614.

NOTE 2- INVESTMENTS

Investments, with a cost of \$91,071 and fair value of \$91,071, were held in the UMFL Fixed Income Fund.

NOTE 3 – ACCOUNTS RECEIVABLE

At December 31, 2013, accounts receivable were as follows:

	<u>Amount</u>
East Baton Rouge City/Parish	\$29,274
Capital Area United Way	32,500
Scottsdale Insurance Company	7,196
First United Methodist Church	5,625
Louisiana Children's Trust Fund	4,500
Paypal	2,725
Junior League	1,136
Anonymous donor	100
	<u>\$83,056</u>

NOTES 4 – PROPERTY

At December 31, 2013, property is as follows:

<u>Description</u>	<u>Estimated Service Life</u>	<u>Amount</u>
Building	39 years	\$ 732,481
Equipment	5 years	52,273
Furniture and fixtures	7 years	8,567
Land	-	142,000
		<u>935,321</u>
Less accumulated depreciation		(69,599)
		<u>\$ 865,722</u>

Depreciation expense for the year ended December 31, 2013 was \$12,576.

In October, 2012, HOPE Ministries' building located at 4643 Winbourne Avenue in Baton Rouge, Louisiana suffered extensive fire damage. Over 50% of the building was destroyed. During the year ended December 31, 2013 HOPE Ministries received \$424,914 from its insurance carrier to mitigate the damage and invested a total of \$495,941 to reconstruct the building. The organization also purchased equipment during the year ended December 31, 2013 for \$10,589, and completed renovations to the restroom facilities in its Family Center for \$43,320.

NOTE 6 – NOTES PAYABLE

Included in notes payable is a loan from the City of Baton Rouge-Parish of East Baton Rouge. The loan represents funding to renovate the HOPE Ministries Family Center through a Community Development Block Grant. On each anniversary date, beginning one year after construction is completed, one fifth of the loan will be forgiven. The forgiveness is subject to the agreement that should HOPE Ministries sell or convert the property to an ineligible Community Development Block Grant use, the portion of the loan not previously forgiven will become immediately due in full and payable to the City of Baton Rouge-Parish of East Baton Rouge.

At December 31, 2013, the balance of the loan is \$153,500 to be amortized as follows:

2015	\$30,700
2016	30,700
2017	30,700
2018	30,700
2019	<u>30,700</u>
Total	\$153,500

NOTE 7 – NET ASSETS

At December 31, 2013, HOPE Ministries had \$180,213 in unrestricted net assets.

Temporarily restricted net assets included the \$552,164 net value of the headquarters building, which will revert to the Louisiana Conference of the United Methodist Church should HOPE Ministries cease to exist, a \$32,500 time restricted grant receivable from the Capital Area United Way, and \$20,000 received from the Huey and Angelina Wilson Foundation restricted to further improvements to the headquarters building for a total of \$604,664.

Permanently restricted net assets of \$142,000 represent the value of the land upon which the headquarters building rests.

NOTE 8 – SIGNIFICANT SOURCES OF REVENUE

The majority of 2013 support was received from contributors and granting agencies from the Baton Rouge area. The Greater Baton Rouge Food Bank provided food to the Food Pantry program, representing 21% of total revenues, while the Capital Area United Way contributed 7% of total revenues and the Huey and Angelina Wilson Foundation 5%.

NOTE 9 – OPERATING LEASE

In 2013, HOPE Ministries received rental income of \$24,000. The lease is through December 2017, but is cancelable by either party.

NOTE 10 – UNUSUAL GAIN

As previously disclosed in Note 4, HOPE Ministries' building located at 4643 Winbourne Avenue in Baton Rouge, Louisiana suffered fire damage in October, 2012. The Organization received insurance proceeds of \$424,914, which it has record as an unusual gain.

NOTE 11 – SUBSEQUENT EVENTS

Management of HOPE Ministries has evaluated subsequent events through May 29, 2014, the date that these financial statements were available to be issued and has determined that there are no significant subsequent events that require recognition or disclosure through that date.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
HOPE Ministries of Baton Rouge
Baton Rouge, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of HOPE Ministries, which comprise the statement of financial position as of December 31, 2013 and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated May 29, 2014.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered HOPE Ministries' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HOPE Ministries' internal control. Accordingly, I do not express an opinion on the effectiveness of HOPE Ministries' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

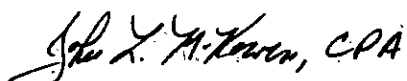
Compliance and Other Matters

As part of obtaining reasonable assurance about whether HOPE Ministries' financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, the Legislative Auditor distributes this report as a public document.



John L. McKowen, CPA

Baton Rouge, Louisiana
May 29, 2014

Hope Ministries of Baton Rouge
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2013

A) SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of HOPE Ministries of Baton Rouge.
2. Current year findings - None

B) FINDINGS – FINANCIAL STATEMENT AUDIT

None

Hope Ministries of Baton Rouge
Baton Rouge, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2013

A) SUMMARY OF AUDIT RESULTS

3. The auditor's report expresses an unqualified opinion on the financial statements of HOPE Ministries of Baton Rouge.
4. Current year findings - None

B) FINDINGS – FINANCIAL STATEMENT AUDIT

None

HOPE MINISTRIES OF BATON ROUGE

Baton Rouge, Louisiana

SCHEDULE OF FUNCTIONAL EXPENSESFor the year ended December 31, 2013
(with comparative amounts for 2012)

	2013							2012
	Program Services					Supporting Services		
	Family Mentoring	Food Pantry	Fund Development	Getting Ahead	Social Enterprise	Fundraising	Management and General	Total
EXPENSES								Total
Programming	12,940	458,364	-	6,106	4,495	-	6,735	488,640
Salaries	65,956	41,348	58,150	16,491	77,546	-	36,547	296,038
Professional fees	13,424	5,114	6,838	1,718	3,655	-	3,458	34,207
Other	3,343	2,189	5,190	328	1,843	10,171	9,443	32,507
Payroll taxes	5,412	3,362	4,779	1,374	6,345	-	3,054	24,326
Insurance	9,279	9,279	2,651	1,326	1,326	-	2,651	26,512
Employee benefits	2,812	1,658	7,724	885	4,443	-	3,221	20,743
Occupancy	5,237	5,136	1,457	816	9,154	-	1,483	23,283
Computer maintenance and service	606	36	1,288	12	1,247	-	1,880	5,069
Facility maintenance	51	582	15	7	2,255	-	25,850	28,760
Depreciation	4,401	4,401	1,258	629	629	-	1,258	12,576
Telephone	1,114	848	242	123	345	-	792	3,464
Professional development	835	17	315	-	127	-	200	1,494
Total expenses	125,410	532,334	89,907	29,815	113,410	10,171	96,572	997,619
								1,133,616